



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
OFFICE OF PLANNING AND RESEARCH
YEAR ENDED JUNE 30, 1979**

**REPORT TO THE
CALIFORNIA LEGISLATURE**

REPORT F-999.18

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

999.18

FINANCIAL AUDIT REPORT
OFFICE OF PLANNING AND RESEARCH
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



THOMAS W. HAYES
AUDITOR GENERAL

California Legislature

Office of the Auditor General

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October 17, 1980

999.18

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Office of Planning and Research, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Romero Zamora; Gus Demas; Geraldine Parks; Teri Yee; Michael Tritz; and Charles Thrasher.

Respectfully submitted,

Thomas Hayes
S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
AUDITOR'S OPINION	3
GENERAL PURPOSE FINANCIAL STATEMENTS	
COMBINED BALANCE SHEET	4
ALL FUND TYPES AND ACCOUNT GROUP	
COMBINED STATEMENT OF FINANCING SOURCES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND OPERATING CLEARING	5
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND	
COMBINED STATEMENT OF FINANCING SOURCES, EXPENDITURES, AND CHANGES IN OPERATING CLEARING - BUDGET AND ACTUAL	6
GENERAL AND SPECIAL REVENUE FUND TYPES	
NOTES TO THE FINANCIAL STATEMENTS	7
OTHER INFORMATION	10

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Office of Planning and Research. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

According to Section 65040 of the Government Code, the objective of the Office of Planning and Research is to provide the Governor and his Cabinet with long-range planning and research services. Primarily, the responsibilities of the office are to formulate, evaluate, and update goals and policies for land use, population growth and distribution, urban development, open space, resource preservation, air and water quality, and other factors which shape statewide development patterns and significantly influence the quality of the State's environment. The office is also responsible for operating a clearinghouse for disseminating planning information, coordinating the development of policies relating to the review of applications for federal grants-in-aid, and preparing and reviewing environmental impact reports.

To meet these responsibilities, the Office of Planning and Research has divided its activities into six program areas: State Planning and Policy Development, Local Planning Assistance, State Clearinghouse, Research, Executive and Administration, and Office of Appropriate Technology.

The programs of the Office of Planning and Research are supported by appropriations from the State's General Fund, registration fees for issuing special and personalized license plates, vehicle renewal and transfer fees, and grants from the Federal Government and the California Coastal Commission.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the Office of Planning and Research as of June 30, 1979 and the related statements of financing sources, expenditures, and changes in fund balance and operating clearing for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Office of Planning and Research at June 30, 1979 and the results of operations and changes in fund balance and operating clearing for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying financial statements captioned "Totals - Memorandum Only" for June 30, 1979 are not necessary for a fair presentation of the financial statements but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.



WESLEY E. VOSS
Assistant Auditor General

Date: March 5, 1980

Staff: Curt Davis, CPA
Romero Zamora
Gus Demas
Geraldine Parks
Teri Yee
Michael Tritz
Charles Thrasher

OFFICE OF PLANNING AND RESEARCH

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP

JUNE 30, 1979

ASSETS	Governmental Fund Type		Fiduciary Fund Type	Account Group	Totals (Memorandum Only)
	General	Special Revenue	Expendable Trust	General Fixed Assets	June 30, 1979
Cash	\$ 12,299	\$ --	\$ 515,629	\$ --	\$ 527,928
Accounts receivable	359,497	--	--	--	359,497
Prepayments to other funds	13,013	--	--	--	13,013
Expense advances to employees	12,416	--	--	--	12,416
Due from Federal Government	--	--	822,426	--	822,426
Due from other funds	150,100	--	--	--	150,100
Equipment	--	--	--	157,148	157,148
Advances to Architecture Revolving Fund	--	--	--	28,400	28,400
Total Assets	<u>\$ 547,325</u>	<u>\$ --</u>	<u>\$1,338,055</u>	<u>\$185,548</u>	<u>\$2,070,928</u>
LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 236,784	\$ --	\$ --	\$ --	\$ 236,784
Due to other funds	--	--	150,100	--	150,100
Due to local governments	--	--	77,137	--	77,137
Total Liabilities	<u>236,784</u>	<u>\$ --</u>	<u>227,237</u>	<u>--</u>	<u>464,021</u>
Encumbrances Outstanding	<u>514,019</u>	<u>110,017</u>	<u>763,055</u>	<u>--</u>	<u>1,387,091</u>
Fund Equity:					
Investment in general fixed assets (Note 3)	--	--	--	157,148	157,148
Reserved for construction	--	--	--	28,400	28,400
Fund balance	--	--	347,763	--	347,763
Operating clearing (Note 5)	<u>(203,478)</u>	<u>(110,017)</u>	<u>--</u>	<u>--</u>	<u>(313,495)</u>
Total Fund Equity	<u>(203,478)</u>	<u>(110,017)</u>	<u>--</u>	<u>--</u>	<u>219,816</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 547,325</u>	<u>\$ --</u>	<u>\$1,338,055</u>	<u>\$185,548</u>	<u>\$2,070,928</u>

The notes to the financial statements are an integral part of this statement.

OFFICE OF PLANNING AND RESEARCH

COMBINED STATEMENT OF FINANCING SOURCES, EXPENDITURES,
AND CHANGES IN FUND BALANCE AND OPERATING CLEARING
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	Governmental Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Expendable Trust	June 30, 1979
Financing Sources:				
Sale of documents	\$ 1,924	\$ --	\$ --	\$ 1,924
Support appropriations	1,787,155	--	--	1,787,155
Transfers from other funds	--	14,983	--	14,983
Reimbursements	1,503,290	--	--	1,503,290
Department of Energy grants	--	--	29,968	29,968
Health, Education, and Welfare grants	--	--	22,674	22,674
Title II - Public Works Employment Act of 1976 Grants	--	--	58,928	58,928
California Coastal Commission Local Coast Grants	--	--	356,425	356,425
Intergovernmental revenues	--	--	3,808,781	3,808,781
Total Financing Sources	3,292,369	14,983	4,276,776	7,584,128
Expenditures:				
Personal services	2,110,413	--	--	2,110,413
Operating expenses and equipment	1,618,099	--	--	1,618,099
Contractual consultant services	--	125,000	--	125,000
Miscellaneous adjustments (Note 4)	11,340	--	--	11,340
Grants to other state agencies	--	--	4,612,086	4,612,086
Total Expenditures	3,739,852	125,000	4,612,086	8,476,938
Other Uses:				
Intrafund transfers (Note 5)	1,450	--	--	1,450
Total Expenditures and Other Uses	3,741,302	125,000	4,612,086	8,478,388
Excess of Sources over (under) Expenditures and Other Uses	(448,933)	(110,017)	(335,310)	(894,260)
Fund Balance - July 1	--	--	683,073	683,073
Operating Clearing - July 1	245,455	--	--	245,455
Fund Balance - June 30	--	--	347,763	347,763
Operating Clearing - June 30	\$ (203,478)	\$ (110,017)	\$ --	\$ (313,495)

The notes to the financial statements are an integral part of this statement.

OFFICE OF PLANNING AND RESEARCH

COMBINED STATEMENT OF FINANCING SOURCES, EXPENDITURES,
AND CHANGES IN OPERATING CLEARING - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUND TYPES

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	General Fund			Special Revenue Fund			Totals (Memorandum Only)		
	Budget as Adjusted	Actual	Variance	Budget as Adjusted	Actual	Variance	Budget as Adjusted	Actual	Variance
Financing Sources: (Note 2)									
Revenues	\$ 4,068,498	\$ 1,924	\$ (2,281,343)	\$ --	\$ --	\$ --	\$ 4,068,498	\$ 1,924	\$ 1,924
Support appropriations	1,787,155	1,924	(125,000)	125,000	14,983	(110,017)	125,000	1,787,155	(2,281,343)
Transfers from other funds	1,503,290	1,503,290	(276,001)	1,503,290	1,503,290	1,503,290	1,503,290	1,503,290	(110,017)
Reimbursements									(276,001)
Total Financing Sources	5,847,789	3,292,369	(2,555,420)	125,000	14,983	(110,017)	5,972,789	3,307,352	(2,665,437)
Expenditures: (Note 2)									
Personal services	2,375,443	2,110,413	265,030	--	--	--	2,375,443	2,110,413	2,375,443
Operating expenses and equipment	1,693,055	1,618,099	74,956	--	--	--	1,693,055	1,618,099	1,693,055
Contractual consultant services	--	--	--	125,000	125,000	--	125,000	125,000	125,000
Miscellaneous adjustments (Note 4)	--	11,340	(11,340)	--	--	--	--	--	--
Total Expenditures	4,068,498	3,739,852	328,646	125,000	125,000	--	4,193,498	3,864,852	328,646
Excess of Sources over (under) Expenditures	1,779,291	(447,483)	(2,226,774)	--	(110,017)	(110,017)	1,779,291	(557,500)	(2,336,791)
Other Uses:									
Intrafund transfers (Note 5)	--	1,450	(1,450)	--	--	--	--	1,450	(1,450)
Excess of Sources over (under) Expenditures and Other Uses	\$1,779,291	(448,933)	\$ (2,228,224)	\$ --	(110,017)	\$ (110,017)	\$1,779,291	(558,950)	\$ (2,338,241)
Operating Clearing - July 1		245,455			--	--		245,455	
Operating Clearing - June 30			\$ (203,478)			\$ (110,017)		\$ (313,495)	

The notes to the financial statements are an integral part of this statement.

OFFICE OF PLANNING AND RESEARCH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Office of Planning and Research. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into two Governmental Fund Types, a Fiduciary Fund Type, and an Account Group. The Office of Planning and Research accounts for only its portion of the governmental fund type categories. The State Controller maintains the central accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The Governmental Fund Types for the Office of Planning and Research are the General Fund and the Special Revenue Fund.

General Fund

This fund includes all financial resources not accounted for in another fund.

Special Revenue Fund

The Special Revenue Fund is the California Environmental Protection Program Fund. This fund is used to account for revenues collected from registration fees for special and personalized license plates and other renewal and transfer fees designated to support a program to preserve and protect the environment.

The Governmental Fund Types are maintained on the modified accrual basis of accounting. These are some of their more significant elements:

Income

Throughout the fiscal year all income, except for certain reimbursements which are recorded when billed, is accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the office are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the office and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$137,647.

Vacation and Sick Leave - Costs of vacation and sick leave are charged when these benefits are used rather than when they are earned.

FIDUCIARY FUND TYPE

The Fiduciary Fund Type is used to account for assets held by a governmental unit as a trustee. The Fiduciary Fund Type for the Office of Planning and Research is the Special Deposit Fund which is an expendable trust fund. This trust fund is used to account for grant monies from these sources:

- U.S. Department of Energy;
- U.S. Department of Health, Education, and Welfare;
- Title II of the Public Employment Act of 1976;
- California Coastal Commission;
- National Science Foundation;
- Monies designed for statewide comprehensive planning.

ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased, except for those acquired under an installment purchase contract (as explained in Note 3), are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of \$118,811 during the fiscal year.

2. BUDGETED FINANCING SOURCES AND EXPENDITURES

The amounts shown under "Budget as Adjusted" for financing sources and expenditures reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

3. INVESTMENT IN GENERAL FIXED ASSETS

This account includes an unpaid balance of \$62,860 at June 30, 1979; the balance represent unpaid amounts on installment purchase contracts that are payable over the next 48 months in equal monthly installments of \$1,442.32. These monthly installments include interest at 5.75 percent on the unpaid principal.

4. MISCELLANEOUS ADJUSTMENTS

This account shows the difference between the net amount of revenues, expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amount of revenues, expenditures, abatements, and reimbursements related to the prior year but obtained during the current fiscal year.

5. OPERATING CLEARING AND INTRAFUND TRANSFERS

This account is the connecting link between the records of the various state agencies and the central fund accounts maintained by the State Controller for the General Fund and other funds not accounted for entirely by one agency. The balance at June 30 represents the net assets and liabilities for which the Office of Planning and Research is accountable.

Intrafund transfers are cash receipts representing revenues which the Office of Planning and Research remitted to the State Treasury during the year.

OTHER INFORMATION

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control at the Office of Planning and Research and at the Department of General Services (which maintains the office's accounting records) to the extent we considered necessary to properly form an opinion concerning the fairness with which the office's financial statements present its financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the Office of Planning and Research in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The Office of Planning and Research generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps